Amendments to the Specification:

*Please amend the specification on page 1, lines 4-13 as follows:

This patent application is a continuation of U.S. Patent Application No. 09/737,609 (now U.S. Patent No. 6,633,654) (allowed), filed December 13, 2000 (published as US 2002-0015508 A1). The 09/737,609 application is a continuation-in-part of U.S. Patent Application No. 09/596,658 (now U.S. Patent No. 6,631,198), entitled Perceptual Modeling of Media Signals Based on Local Contrast and Directional Edges, filed on June 19, 2000, by Hannigan, Reed, and Bradley. Each of the above patent documents is herein incorporated by reference.

The subject matter of the present application is related to that disclosed in US Patent 5,862,260, and in co-pending applications 09/503,881, filed February 14, 2000 (now U.S. Patent No. 6,614,914); which are hereby incorporated by reference.

*Please amend the specification on page 2, lines 18-25 as follows:

In digital watermarking, one aim is to insert the maximum possible watermark signal without significantly affecting signal quality. Perceptual models may be used to determine how to embed the watermark in a host media signal such that the signal masks the watermark. In image watermarking, a watermark embedder can take advantage of the masking effect of the eye to increase the signal strength of a watermark in busy or high contrast image areas. However if this is done for all high frequency areas, a visually objectionable watermark or 'ringing' may become visible on connected directional edges.

*Please amend the specification on page 10, lines 24-26, as follows:

For optimal performance for [[a]] particular applications, the model can be tuned by selecting combinations of filters that compliment each other and fine tuning the parameters of each filter.

*Please amend the specification on page 25, lines 10-17 as follows:

4. ~~EXTENTIONS~~ <u>EXTENSIONS</u> AND CONCLUSION

The algorithm developed in this paper successfully uses a local contrast value to determine the watermark gain, while additionally suppressing gain at most false-high-contrast areas. In certain instances, the algorithm mistakenly allows a large watermark gain in an area that is unable to imperceptibly hold it. Future versions of the algorithm should therefore work to better differentiate between random, high contrast texture, and more uniform, parallel line patterns, as well as closely spaced text.